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SUBJECT: AMBASSADOR'S MEETING WITH CHANCELLOR GUSENBauer

Classified By: Ambassador Susan McCaw for reasons 1.4 (B)(D)

SUMMARY

¶1. (C) In a cordial one-hour meeting with Ambassador McCaw on April 16, Chancellor Alfred Gusenbauer said that the Balkans would remain Austria's top foreign policy priority. In particular, his government was committed to a robust participation in a prospective EU ESDP mission in Kosovo to implement the Ahtisaari plan, which Austria fully supports. Gusenbauer agreed that stabilization of Afghanistan and Iraq were in Austria's interest, and he expressed support for the small Austrian deployments to both ISAF and the Iraqi police training mission in Jordan. Larger commitments, however, were severely constrained by Austria's limited capabilities, especially until military restructuring is complete in 2010. Nevertheless, the Chancellor claimed that he was "willing to look into" any proposal that was not overtly military (as opposed to peacekeeping) in nature. Gusenbauer also said that Austria would not give in to terrorist blackmail, and that his government had no interest in stirring up public debate over missile defense in Europe. Gusenbauer was joined in the meeting by Foreign Policy Advisor Bernhard Wrabetz; Ambassador was accompanied by DCM (notetaker).

GRAND COALITION GOVERNMENT GAINING TRACTION

¶2. (SBU) Gusenbauer led off the discussion with an upbeat assessment of his government's recent performance. The first "National Summit on Climate Change" had gone well. Proposals that emerged from the Summit would be incorporated into the GOA's recently adopted five-year climate change strategy. The government anticipated making this an annual exercise. Gusenbauer said he was also pleased with recent budget negotiations, which took place against the backdrop of an economy that is "progressing tremendously." Growth should top three percent this year; inflation is running at 1.6 - 1.8 percent; unemployment is about 4.2 percent and falling. By May, the government expects to submit to parliament both a pension reform package and a "democracy package," lowering the voting age to 16 and making it easier for Austrians outside the country to vote. Both measures should be enacted by summer.

DON'T OVERESTIMATE EUROSKEPTICISM

¶3. (SBU) The Ambassador commented that the level of skepticism toward the EU in Austria continued to puzzle her, considering that the country was one of the big winners economically from EU enlargement. Gusenbauer agreed, but counseled that one should not be misled by Austrians'

ingrained tendency to grumble and complain when nothing is really at stake. When an important decision regarding the EU really needed to be taken -- on membership, adopting the Euro, Schengen membership, the constitutional treaty -- Austria always made the right choice in favor of the EU.

IRAQ, AFGHANISTAN, AND THE BALKANS

¶4. (C) The Ambassador stressed that the U.S. remained extremely concerned about the fate of Austrian hostage Bert Nussbaumer and the four Americans taken hostage in Iraq late last year. We were doing everything possible to find and rescue all five. In that connection, it was absolutely essential that all elements of the GOA keep the USG fully informed of their activities and any information they had on the case.

¶5. (C) Gusenbauer agreed, and stated that that his government would not give in to "blackmail" by terrorists. He noted that when a videotape had surfaced threatening retaliation against Austria for its limited engagement in Afghanistan (4 staff officers with ISAF), some voices in Vienna had argued that the soldiers should be withdrawn. The Chancellor recalled that he had stated publicly this was exactly the wrong reaction. "If we give in on this case, we will always be open to blackmail," he said.

¶6. (C) The Ambassador noted that the Austria's earlier contributions to Afghanistan (limited deployments of about 100 troops in 2004 and 2005) had been highly valued, and asked whether Austria could not do more on a sustained basis. She pointed out that Finland, Sweden, and Switzerland all had a greater presence in Afghanistan than Austria did. Afghanistan was not an "American" struggle. There were U.N and NATO mandates, and the outcome of events there would affect us all.

¶7. (C) Contributions to Afghanistan could take many forms, the Ambassador continued. Why could not Austria, for example, send to Afghanistan non-lethal, surplus equipment that would no longer be needed in view of Austrian military restructuring. Government promotion/facilitation of Austrian commercial engagement would also be welcome. Austrian Airlines had recently begun the first regularly scheduled flights to Erbil, and many companies seemed interested in business opportunities in northern Iraq. They would have a much easier time, however, if the GOA were to offer increased export credits and/or at least limited investment guarantees. Austrian (Ministry of Interior) participants in Jordan-based training of Iraqi police were also very worthwhile. Could not the GOA do more of this kind of work?

¶8. (C) Gusenbauer responded by making two main points. First, Austria's ability to deploy overseas in support of peacekeeping missions was inextricably connected with ongoing efforts to restructure the military by 2010. By that time, a lighter and more mobile force would be able to support 1,500-2,000 troops outside the country on a sustained basis. Second, while these forces would be used to support international peacekeeping operations and international rescue efforts generally, Austria's first priority is, and for the foreseeable future would remain, the Balkans. Specifically, the GOA was committed to a robust participation in a prospective EU ESDP mission supporting the transition to independence in Kosovo. On this point, Gusenbauer stressed that Austria remained fully committed to the Ahtisaari plan, which he described as "the only real alternative."

¶9. (C) Gusenbauer also offered his personal endorsement of the Iraqi police training mission in Jordan, in which the Ministry of Interior has participated. Police training was "of the utmost importance," and Austria had been glad to contribute. He acknowledged that the stabilization of Iraq and Afghanistan was in everyone's interest -- including Austria's -- and concluded by saying that Austria "would be willing to look into" any proposal that was not overtly

military (as opposed to peacekeeping) in nature.

MISSILE DEFENSE

¶10. (C) The Ambassador said we were disturbed over the misinformation and uninformed debate in parts of Europe over U.S. missile defense plans. She wanted to reassure the Chancellor that the system proposed in cooperation with Poland and the Czech Republic was entirely defensive in nature and aimed against rogue states or groups outside of Europe. We had held extensive consultations with Russia and it was nonsense for them to argue that this limited deployment posed any kind of threat to their forces. If the GOA needed more information from us, the Embassy would be pleased to provide it at any time.

¶11. (C) Gusenbauer replied that the Austrian government was trying to calm the discussion; there was no interest in stirring up popular sentiment. He added that he fully agreed with German Chancellor Merkel that informed discussion should take place within NATO and in the NATO-Russia Council. Foreign Policy Advisor Wrabetz at this point added that the European debate on missile defense really consisted of two separate streams. One centered on the larger geo-strategic merits of the initiative. The other, perhaps even more divisive, fed into long-standing intra-European debates over security cooperation -- specifically, what was the proper forum for EU members (like Poland and the Czech Republic) to discuss and make important decisions on defense issues.

¶12. (C) Gusenbauer added that he thought Russian President Putin had "scored several points" through his forceful intervention at Wehrkunde, but that most of this "advantage" with European publics had been lost by the repressive government actions against domestic dissent in recent days.

ERP (MARSHALL PLAN) FUNDS

¶13. (C) The Ambassador reviewed for Gusenbauer recent Embassy discussions with the Economics Ministry and others regarding the upcoming 60th anniversary of the Marshall Plan and possible new uses for residual ERP funds in Austria (almost 3 billion euros). While acknowledging that these were Austrian funds over which the USG retained only general oversight rights, she argued there was much to be said for a new "outward oriented" Austrian program in keeping with the original spirit of the Marshall Plan. Economic reconstruction of the Austrian economy, which the Marshall plan was designed to support, had been incredibly successful. Now, however, there were new challenges to face.

¶14. (C) The Chancellor replied that he thought that ERP funds continued to be a major ingredient in the success of Austrian small and medium-sized enterprises, which more than ever represented the backbone of the Austrian economy. Economics Minister Bartenstein might be in a better position to judge, but the Chancellor personally anticipated that there would be significant resistance from the business community to a proposal to restructure the ERP funds. The Ambassador articulated the need to reexamine the use of such funds in the context of the challenges of the 21st century. She emphasized the important role that Austria could play outside its borders, such as through more intensive support for Balkan countries. Gusenbauer said that he understood some portion of the Funds were already being used to support transatlantic academic exchanges. He was an ardent believer in the value of exchanges, and would be very pleased to see such efforts enlarged.

U.S. TRAVEL PLANS

¶15. (C) In closing, Gusenbauer told the Ambassador that he

planned to travel to New York in September for the U.N. General Assembly. He would also deliver a speech at Harvard. The Chancellor said he would be prepared to travel to Washington if that made sense.

COMMENT

¶16. (C) In this first meeting with the Ambassador since becoming Chancellor, Gusenbauer was relaxed and self-assured. He gave the impression of a politician who felt he had turned the corner, following a difficult transition to power.

If there were no expressions of overt affection for the United States, neither was there any undertone of anti-Americanism in his remarks. The priorities he articulated are very much in line with those of his predecessor, Wolfgang Schuessel, reaffirming our judgment that continuity will be the watchword in Austrian foreign policy.

KILNER